Exhibit A-6

Ministry of Finance
State of Palestine

Fiscal Developments: Fourth Quarter and Full Year 2014

MACRO-FISCAL
UNIT
2/15/2015

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Fiscal Summary Full Year 2014: Budget Execution Highlights 1

- Total Budget Deficit throughout the year 2014, which amounted to NIS 5.6 billion (USD 1.59 billion), experienced almost no change relative to the previous year 2013. The recurrent deficit, however, showed a 5% decline below 2013 figures; it reached NIS -4.74 billion (USD 1.33 billion), down from NIS 4.99 billion (USD 1.35) in 2013.
- Gross revenues amounted to NIS 10.45 billion during Jan-Dec 2014; this is a 14% increase over gross revenues of 2013 which amounted to NIS 9.18 billion.
- Total Net Revenues witnessed a considerable increase of 18% throughout FY 2014 with respect to FY 2013. Total net revenues reached NIS 9.82 billion during the aforementioned period of 2014, whereas, in the equivalent period of 2013 total net revenues amounted to NIS 8.35 billion. This increase in total net revenues can be related to a substantial increase in both nontax revenues, clearance revenues and the major components of domestic tax revenues.
 - **Domestic tax revenue** during 2014 remained at its 2013 levels due to a retrenchment in two of its components: income tax and excises on tobacco. Income tax declined by 4% during 2014; however this decline mostly occurred during the last quarter of 2014, due to a high base comparison in 2013. The main reason for this high base in Q4 2013 is due to a large payment of outstanding files from the LTU in November 2013 (around NIS 80 million). Therefore, income tax during the last quarter fell relative to 2014 and pulled down the entire year performance with it; this is although income tax has been over-performing up until Q3 (i.e. in Q3 2014, income tax increased by 10% relative to Q3 2013). The other reason for the invariable performance in domestic tax revenues is the decline in total excises on domestic tobacco by 38% in 2014 relative to 2014. This decline began in 2013 when the PNA decided to reduce support for domestically produced tobacco. Overall, however, the decline in domestic tobacco was accompanied by an even greater increase in imported tobacco. Hence, even with the decline in income tax during Q4 2014, domestic tax revenue performance would have exceeded the previous year's performance by 7.6%, if the tobacco excises are exempted from analysis due to change in government policy.
 - Non-tax Revenue was higher by 5% relative to 2013 mostly because a 8% increase in Fees and charges by 8%. Investment profits, disbursed by the PIF, witnessed a decline of 37% comparing to 2013 and fell below their 2014 budget target by 60%.
 - Clearance Revenue grew by 20% in 2014 relative to 2013; the high performance is mostly due to the over-performance in VAT, customs and petroleum excise where they grew by 13%, 22% and 26% during Jan-Dec 2014 relative to the previous year. This is due to improved data sharing with Israel, regular field campaigns by PA officials and more thorough follow up on the revenue collection process.
 - Tax refunds fell by 25% in 2014 over 2013; this is due to a decline fuel subsidy by 27% due to PNA policy to reduce fuel subsidies to sustainable levels; the

¹ December 2014 tables were adjusted for previous year arrears retrospectively.

implementation of this policy was accelerated by the decline in international fuel prices during the five months of 2014.

- **Total Expenditure and Net Lending** during 2014 witnessed a 9% increase relative to 2013, and exceeded its budget target by 4.6%. This increase is mostly attributed to:
 - o An increase in use of goods & services, which increased by 28% relative to the previous year, and was 20% above its budgeted mark. The reason for this increase in use of goods is mostly due to high health referral costs, which are directly deducted from clearance revenues; in 2014, health deductions amounted to NIS 348 million (a 44% increase over 2013 where health deductions amounted to a lesser NIS 241 million).
 - Other expenditure components that contributed to the augmented expenditures are the wage bill and social contributions, which both have increased by 6% in 2014 over 2013. The wage bill exceeded its budget target by 1%; this increase in the wage bill could be attributed to the implementation of court orders and agreements reached with labor unions regarding cost of living, promotions, and risk allowances.
 - o **Transfers** increased by a slight 3%, however it is below the budget mark by 7.5%.
 - o Minor Capital, the smallest expenditure component, was above 2013 figures by 107%; nonetheless it reached 80% of its budget target.
 - o Interest Payments was NIS 199 million, lower by 39% relative to 2013 which amounted to NIS 325 million. Domestic interest payments reached NIS 183 million declining by 40% below 2013 figures, and external interest payments amounted to NIS 15 million, also declining by 18% below 2013 figures.
 - **Net Lending** increased by 35% compared to 2013, this increase is mainly attributed to increased clearance deductions of water, electricity and sewage by 10%, 27%, and 5% respectively.
- **Development Expenditure** grew by 39% in 2014 relative to 2013; this, however, remains below the budget target by 26%.
- External budget support reached NIS 3.68 billion, a decline of 19% below 2013 figures and 23% below its budget target. Development financing reached NIS 726 million, representing an increase of 89% above 2013 figure, but still fell below its budget target by 33%.
- **Total domestic debt stock** amounted to NIS 4.4 billion at the end of December 2014; this is a decline of 1.6% over November 2014.
- Total net accumulation of arrears were NIS 2.78 billion, of which, NIS 147 million are tax refund arrears and NIS 351 million are development arrears.. As for the arrears to the private sector, which includes use of goods and services, minor capital, development, interest, and the "other" tax refunds, have accumulated to NIS 1.36 billion.

Table 1: Consolidated Fiscal Operations Analysis of Q4 2014 and Full year 2014 (Commitment Basis)

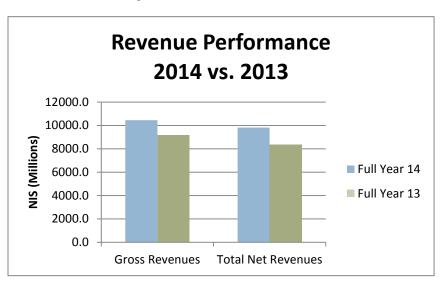
Table 1: Consolidated Fiscal Operation	tions Analysis	of Q4 2014 an	d Full year 2	014 (Commiti	nent Basis)					
			FY 2014/ FY			Q4 2014/	2014		Deviation	Deviation
	Full Year 14	Full Year 13	2013	Q4 2014	Q4 2013	Q4 2013	Budget	% of budget	from	from
			2013			Q 1 2013	Buaget		budget	budget
	NIS million	NIS million	%	NIS million	NIS million	%	NIS million	%	NIS million	%
Gross Revenues	10445	9181	14%	2533.2	2439.1	4%	9871	105.8%	574	5.8%
Total Net Revenues	9817	8348	18%	2428.1	2248.4	8%	9311	105.4%	506	5.4%
Gross Domestic Revenue	3114	3078	1%	659.5	733.4	-10%	3326	93.6%	-212	-6.4%
Domestic Tax Revenues	2149	2157	0%	429.5	550.1	-22%	2329	92.3%	-180	-7.7%
Income Tax	685	714	-4%	107.6	166.4	-35%	742	92.3%	-57	-7.7%
Value Added Tax	951	852	12%	178.7	267.1	-33%	912	104.3%	39	4.3%
Customs	267	193	38%	80.6	50.3	60%	225	118.6%	42	18.6%
Excises on Beverages	3	6	-42%	1.2	0.3	320%	13	25.4%	-10	-74.6%
Excises on Tobacco	234	378	-38%	60.8	65.2	-7%	422	55.5%	-188	-44.5%
Property Tax	9	14	-36%	0.6	0.7	-18%	15	58.8%	-6	-41.2%
Clearance Revenue	7331	6103	20%	1873.8	1705.7	10%	6545	112.0%	786	12.0%
Customs	2520	2073	22%	671.7	559.6	20%	2247	112.2%	273	12.2%
Value Added Tax	2278	2016	13%	573.3	548.7	4%	2120	107.5%	158	7.5%
Purchase Tax	7	3	160%	1.0	0.0	-6684%	23	28.9%	-16	-71.1%
Petroleum Excise	2474	1971	26%	619.8	565.7	10%	2145	115.3%	329	15.3%
Income Tax	51	40	29%	8.0	31.7	0%	10	513.5%	41	413.5%
Tax Refunds (-)	628	834	-25%	105.1	190.7	-45%	560	112.1%	68	12.1%
Fuel	524	720	-27%	89.5	187.6	-52%	480	109.2%	44	9.2%
Other (2)	104	114	-9%	15.6	3.1	403%	80	130.0%	24	30.0%
Nontax Revenues	966	921	5%	230.0	183.3	25%	997	96.8%	-31	-3.2%
Domestic Fees and Charges	926	859	8%	229.3	183.3	25%	897	103.2%	29	3.2%
Investments Profits (3)	40	63	-37%	0.7	0.0	#DIV/0!	100	39.6%	-60	-60.4%
Total Expenditure	14556	13336	9%	3556.6	3286.1	8%	13916.0	104.6%	640	4.6%
Wages and salaries	7336	6928	6%	1876.8	1760.4	7%	7265.2	101.0%	71	1.0%
Social contributions	680	638	6%	175.2	159.8	10%	655.3	103.7%	24	3.7%
Use of goods and services	2333	1816	28%	709.2	410.2	73%	1937	120.4%	396	20.4%
Transfers	2925	2839	3%	516.4	656.0	-21%	3162	92.5%	-237	-7.5%
Minor capital	61	29	107%	26.9	9.9	173%	76	80.2%	-15	-19.8%
Interest	199	325	-39%	14.6	78.7	-81%	220	90.2%	-21	-9.8%
Domestic	183	306	-40%	11.5	72.8	-84%	205	89.4%	-22	-10.6%
External	15	19	-18%	3.1	5.8	-47%	15	101.4%	0	1.4%
Net lending	1022	760	35%	237.5	211.3	12%	600	170.4%	422	70.4%
Current Balance	-4739	-4988	-5%	-1128.5	-1037.8	9%	-4605	102.9%	-134	2.9%
Development Expenditures	938	674	39%	320.0	159.9	100%	1260	74.4%	-323	-25.6%
Balance	-5676	-5661	0%	-1448.5	-1197.7	21%	-5865	96.8%	189	-3.2%
Financing	5676	5661	0%	1448.5	1197.7	21%	5865	96.8%	-189	-3.2%
External Budgetary Support	3676	4532	-19%	1006.8	802.2	25%	4785	76.8%	-1109	-23.2%
Development Financing	726	384	89%	223.3	153.0	46%	1080	67.2%	-354	-32.8%
Net Domestic Bank Financing	-507	-895		22.4	-143.8					
Expenditure Arrears (Net Accumulation)	2633	1667		1010.1	515.1					
Clearance Revenue Adjustment	13	14		491.7	12.2					<u> </u>
Tax Refunds (Arrears)	147	27		87.4	125.7					
G&S and Dev. Arrears Paymets	-1004	0		-231.4	-					
Residual	18	-38		-1758.3	-242.2					

4 B. Revenue Performance 2014

> Total Net/Gross Revenues

Gross revenues in 2014 amounted to NIS 10.45 billion, a significant increase of 14% relative to 2013

figures which amounted to NIS 9.18 billion. As for total net revenues in 2014, they have also witnessed a significant increase of 18% over 2013, where by end December 2014, they amounted to NIS 9.8 billion. During Q4 2014, both gross revenues and total also net revenues witnessed considerable improvements in performance; they have reached NIS 2.53 billion and NIS 2.43 billion and

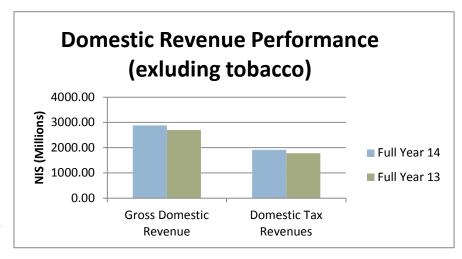


increased by 4% and 8%, respectively, over the parallel period of 2013.

➤ Domestic Revenues

Gross domestic revenues increased by 1% in Jan-Dec 2014 relative to 2013, where they increased from NIS 3.08 billion in 2013 to NIS 3.11 in 2014. They have, however, decreased on a quarterly basis, where

in Q4 2014; gross domestic revenues amounted to NIS 660 million, a 10% increase relative to Q4 2013. The reasons for this decline will be clarified onwards. As for quarterly domestic tax revenues, they have reached NIS 430 million in Q4 2014, also showing a decline of 22% relative to Q4 2013. On a full year basis, **domestic tax revenues** have



amounted to NIS 2.14 billion in Jan-Dec 2014, which shows no change relative to domestic tax revenues of 2013. The reasoning behind this decline will be clarified further on.

Excises on tobacco have declined significantly since 2013, by around NIS 38%, due to government policy to effectively reduce support on tobacco. However, the decline in excises on domestic tobacco has been compensated by an effective increase in tax levied on imported tobacco; overall, the increased in imported tobacco offsets the decline in domestic tobacco. Therefore, by isolating tobacco excises due to policy reform and taking all other components of domestic tax revenues, there is a noticeable overperformance in most components. Hence, by excluding excises on tobacco, both **gross domestic revenues** and **domestic tax revenues**would show considerable improvements relative to 2013, by 6.6% and 7.6% on a full year basis, respectively. This significant increase is mostly due to an increase in domestic VAT and customs over 2013 amounts by 12% and 38%, respectively.

Domestic VAT during full year 2014 increased mostly due to enhanced tax collection methods, and an 8% tax incentive given for banks if payments were made in advance during the first quarter of the year. In February 2014 alone, around NIS 180 million were collected in VAT, compared to only NIS 60 million during February 2013. Of these NIS 180 million, (i) the Arab Bank paid NIS 43 million, (ii) telecommunications company (PALTEL) around NIS 51 million, (iii) and Cairo Amman Bank around 7.5 million. March 2014 also recorded highly compared to the parallel month of 2013, where NIS 116 million were collected in domestic VAT. Of this amount, the Bank of Palestine ltd. paid around NIS 61 million as advanced VAT payment.Quarterly comparison of VAT, however, portrays a 33% decline in Q4 2014 relative to 2013; this is mostly due to a one time occurrence of settling outstanding files; a large payment was made by Bank of Palestine and Cairo Amman during November 2013, of around NIS 47 million and NIS 19 million respectively. These once-occurring payments enlarged the total VAT collection for that month to around NIS 127 million, making Q4 2013 base comparison very high. Excluding these non-recurring settling of outstanding files by the large tax payers, Q4 2014 would have exceeded Q4 2013 by over 35%. Notwithstanding, overall improved performance in VAT collection throughout 2014 acted to offset the decline in the fourth quarter.

As for **customs**, the considerable 38% increase in 2014; fourth quarter customs figures in 2014 also shows a significant increase of 60% relative to the parallel quarter of 2013. This improvement in customs is due to three mains reasons: a small increase in the number of used cars, enhanced cooperation with the Ministry of Transportation by intensifying internal control, and finally, accounting for customs lawsuits tolls under this item which used to be accounted for under "other revenues" in previous years. **Income tax** fell by 4% relative to 2013 figures; however this deviation is attributed mostly to a non-recurrent event that increased 2013 income tax significantly: during November 2013, around NIS 80 million were

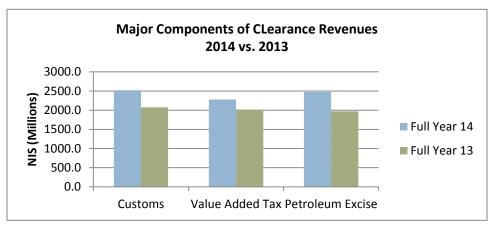
paid from outstanding LTU files, which is why income tax declined by 35% in Q4-2014 alone, due to a high Q4-2013 income tax as a result of this payment. Consequently, by excluding the non-recurring incident of settling of outstanding NIS 80 million paid in November 2013, income tax in 2014 would increase by 8% relative to 2013. Therefore, the decline in income tax is mostly due to the high base comparison in 2013 as a result of this. Overall, excluding non-recurrent items (i.e. outstanding files of LTU in 2013) and excises on tobacco both domestic tax revenues and gross domestic revenues would increase significantly in 2014 relative to 2013 by 13% and 9%, respectively. Finally, property tax and excises on beverages both declined by 36% and 42; excises on beverages declined for the same policy adoption as excises on tobacco.

As a component of gross domestic revenues, **nontax revenues** have also increased during 2014 when compared to the previous year. During Jan-Dec 2014, nontax revenues reached NIS 965 million, an increase of 5% relative to Jan-Dec 2013, mostly due to an increase in: (i) civil registration fees by 57%; (ii) transportation fees by 16%; (iii) domestic fees and charges by 8%; (iv) higher court of justice fees by 19%; (v) and fees by Ministries of Economy (106%) and Ministry of Education (18%); (vi) land registration fees by 865% and (vii) other fees by 14%. The over-performance in 2014 nontax revenues has occurred even though the 2014 budget assumed NIS 100 million in investment profits from PIF whereas only NIS 40 million were collected. This implies that although investment profits fell short of expectations, nontax revenues continued to perform well due to the aforementioned increases in various fee collections. Even on a quarterly basis, nontax revenues continued to exceed previous collections in 2013; in Q4-2014, nontax revenues exceeded Q4-2013's nontax revenues by 25% (reaching NIS 230 million) although only NIS 0.7 million were realized in investment profits.

Clearance revenues

Clearance revenues in FY and quarterly 2014 observed continuous enhanced performance, even above

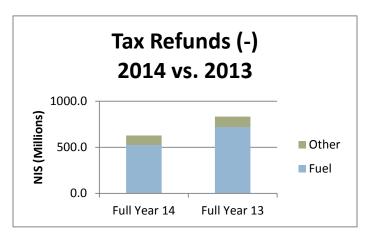
budgeted expectations. During Jan-Dec 2014, clearance revenues amounted to NIS 7.33 billion, which is a major 20% increase over Jan-Dec 2013 clearance revenues which amounted to NIS 6.1 billion. Quarterly analysis also indicates



the over-performance of clearance revenues in 2014, where they have increased by 10% in Q4 2014 relative to the parallel period in 2013. This continuous improvement in clearance revenues throughout 2014 is mostly attributed to significant increases in customs, VAT and petroleum excise. Customs increased by 22% during FY 2014 and by 20% in Q4 2014, relative to the equivalent periods in 2013. This over-performance is mostly due to improved compliance by tax payers and continuous follow up and data sharing with Israel. Additionally, as a substitute to local tobacco, tobacco imports increased significantly, contributing to the increase in clearance customs; in the same manner, overall imports in 2014 have increased relative to 2013, which reflect positively on customs collection. As forVAT, it has also over-performed by 13% during Jan-Dec 2014 relative to Jan-Dec 2013, and by 4% in O4 2013 relative to Q4 2013. Like the over-performance in customs, clearance VAT improvement can also be attributed to enhanced cooperation with Israel which entails better data sharing, more thorough follow ups and field campaigns for enhanced collection. Petroleum excises during Jan-2014 increased over 2013 parallel period by a significant 26%. Quarterly analysis of Q4 2014 petroleum excisealso shows a 10% increase over 2013 corresponding period. The over-performance in petroleum excise is mostly due to increased imports of fuel products; and this increase in imports also contributed to the increase in VAT considerably. Finally, the remaining components of clearance revenues, which are purchase tax and income tax, also increased significantly throughout 2014, by 160% and 29%.

Tax refunds during Jan-Dec 2014 amounted to NIS 628 million, which is a significant decline of 25%

over Jan-Dec 2013. During Q4 2014, tax refunds also declined relative to the parallel period in 2013, by a major 45%. Of tax refund components, **fuel subsidies** experienced the heaviest decline (27% on a full year basis and 52% on a quarterly basis) relative to the parallel periods in 2013. This decline in fuel subsidies is attributed to the government policy adopted in 2014 to gradually reduce fuel



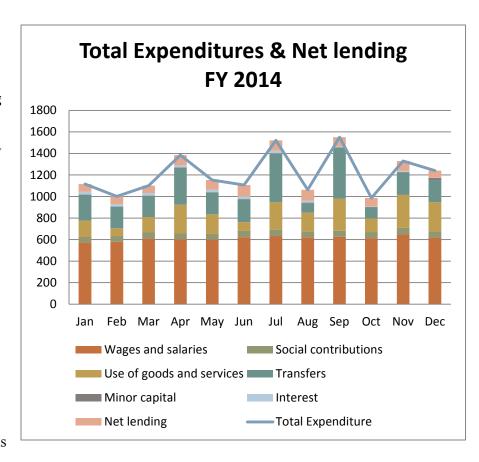
subsidies; so far, fuel subsidies have been reduced from a maximum of NIS 70 million during Jan 2014, to NIS 26 million during Dec 2014. The PNA aimed to reduce fuel subsidies from an average of NIS 60 million per month in 2013 to an average of NIS 40 million per month in 2014; this goal was accomplished by a combination of PNA efforts and declining international fuel prices during the last five months of 2014. Additional reform on the issue was made in 2014 with the elimination of the 35 days

payment lagand a conversion to cash basis with the majority of operators (i.e. gas stations) in the West Bank (40% of West Bank operators) and Gaza (100% Gaza operators). In 2015, the Ministry of Finance aims to achieve this for all operators in the West Bank and Gaza, in hopes of improving cash management issues.

♣ C. Expenditures²

> Total Expenditures

Total expenditures and net lending during 2014 amounted to NIS 14.56 billion, exceeding its budget mark by 4.6% equivalent to NIS 640 million that is a 9% increase relative to 2013 that amounted to NIS 13.34 billion. The 4th quarter of 2014, total expenditures and net lending amounted to NIS 3.56 billion, which represents an increase of 8% compared to the parallel period of 2013. This increase in 2014 can be attributed to increases in the wage bill, social contributions, use of goods



and services and transfers by 6%, 6%, 28%, and 3% respectively. Interest payments on the other hand fell by 39% compared to 2013 and amounted to NIS 199 million, where domestic interest payments declined by 40%, and external interest payments also fell by 18%, all in comparison with 2013 figures. As for the 4th quarter of 2014, and relative to the 4th quarter of 2013, the wage bill increased by 7%, social contributions by 10%, use of goods and services grew by 73%, whereas transfers in the last quarter fell by 21% due to no payment for vulnerable Palestinian families in December. The final quarter of 2014 also experienced a decline in Interest Payments by 81%, with regards to the corresponding period of 2013.

² December 2014 tables were adjusted for previous year arrears retrospectively.

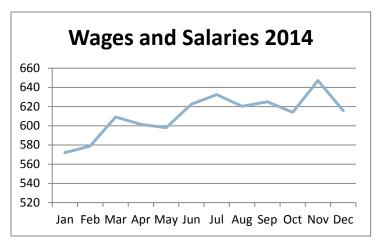
Table C1 below represents recurrent expenditures by sectors, Total recurrent expenditures by sector, which excludes net lending and payment of arrears, amounted to NIS 13.14 billion and is on budget target.

Table C1. Sector's Recurrent expenditures' budget execution Jan-Dec 2014, NIS million.					
Sectors	Recurrent Total Expenditures	2014 Sector Budget	% of Sector Budget		
Central Administration	800,872	847,433	95%		
Security and Public Order	4,027,895	4,075,906	99%		
Financial Affairs	1,442,830	1,591,664	91%		
Foreign Affairs	235,072	257,233	91%		
Economic Development	261,183	314,952	83%		
Social Services	6,082,370	5,888,292	103%		
Cultural and Information	212,251	247,104	86%		
Services					
Transport and	86,272	93,381	92%		
Communication Services					
Total	13,148,744	13,315,965	99%		

➤ Wages and Salaries

Wages and Salaries as mentioned above, increased by 6% in 2014 with respect to 2013, and exceeded its

budget target by 1%, and amounting to NIS 7.34 billion. Regarding the final quarter of 2014, wages and salaries amounted to NIS 1.88 billion growing by 7% over the final quarter of 2013. Various details explain the increases in the wage bill, where several agreements with labor unions and policies where implemented that contributed to increase the wage bill; those agreements can be summarized as:



- I. Annual increase of 1.25% on salaries.
- II. Cost of living allowances paid in October, on behalf of the 4th quarter of 2013.
- III. Risk allowances implemented in March for health sector employees and engineers.
- IV. Agreement reached between the cabinet and the teachers union detailing an increase of 10%, where only 5% was implemented in January retrospectively, and the rest to be paid depending on availability of funds.
- V. A court order to re-employ 700 teachers.
- VI. New salaries hierarchy structure identified for higher education employees, where the difference was paid in February.
- VII. Presidential decree issued to resume promotions to the security sector employees.

- VIII. Resumed promotions in January and February, after promotions were halted as of June 2013.
 - IX. Adjustments in the work nature of dentists and pharmacists, increasing their compensation by 120%; this was implemented on the 1st of May based on a decision from the cabinet.

Table C2. Budget Execution	n Jan-Dec 2014, Wages	and Salaries by Sector, N	IS million.
Sectors	Wages and Salaries	2014 Sector Budget	% of Sector Budget
Central Administration	385,448	374,824	103%
Security and Public	3,236,809	3,272,515	99%
Order			
Financial Affairs	228,901	232,467	98%
Foreign Affairs	135,760	142,180	95%
Economic Development	188,402	187,798	100%
Social Services	2,967,139	2,860,384	104%
Cultural and	124,150	124,171	100%
Information Services			
Transport and	69,650	70,819	98%
Communication Services			
Total	7,336,258	7,265,159	101%

> Social Contributions

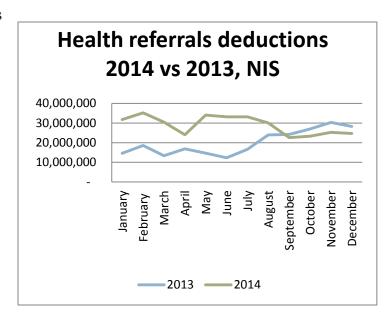
Social Contributions amounted to NIS 680 million, growing by 6% over 2013 figures, exceeding its budget mark by NIS 24 million, or 3.7%. Concerning the final quarter of 2014, when compared to the parallel period of 2013, increased by 10% amounting to NIS 175 million. The increase in social contributions is directly related to the increase in the wage bill, as it is the government's share to thepension fund.

Table C3. Budget Execution Jan-Dec 2014, Social contribution by Sector, NIS million.				
Sectors	Social Contribution	2014 Sector Budget	% of Sector Budget	
Central Administration	29,994	28,341	106%	
Security and Public Order	316,903	318,713	99%	
Financial Affairs	21,177	19,672	108%	
Foreign Affairs	3,058	2,973	103%	
Economic Development	17,893	17,576	102%	
Social Services	272,069	250,657	109%	
Cultural and Information Services	11,775	10,646	111%	
Transport and Communication Services	6,664	6,762	99%	
Total	679,534	655,339	104%	

➤ Use of Goods and Services

Use of Goods & Services totaled NIS 2.3 billion, increasing by 28% over 2013, and also exceeding the budget target by 20.4%. During Q4, use of goods and services amounted to NIS 709 million, and increase of

73% over the equivalent period in 2013. Those increases in the use of goods and services expenditure could be mostly attributed to increases in health referrals costs, which are deducted directly from clearance revenues by Israel. Health referrals deduction in 2014 reached a peak of NIS 347 million (an average of NIS 29 million monthly); this represents a 44% increase over 2013 health deductions, which amounted to NIS 241 million (an average NIS 20 million monthly). *Table C4* highlights the social services sector as having the highest portion of the central governments' spending on use of goods and services, and exceeding its budget



mark by 31%. If health referrals are deducted from use of goods expenditure it would maintain its budget target level.

Table C4. Budget Execution Jan-Dec 2014, Use of Goods & Services by Sector, NIS million.				
Sectors	Use of Goods & Services	2014 Sector Budget	% of Sector Budget	
Central Administration	260,831	304,486	86%	
Security and Public Order	382,683	340,238	112%	
Financial Affairs	48,522	73,875	66%	
Foreign Affairs	80,420	92,980	86%	
Economic Development	24,025	53,847	45%	
Social Services	1,251,519	955,716	131%	
Cultural and Information Services	70,799	100,957	70%	
Transport and Communication Services	9,614	15,150	63%	
Total	2,128,414	1,937,249	110%	

> Transfers

Transfers increased by 3%, totaled NIS 2.92billion; however it is below the budget mark by 7.5% (around NIS 237 million. The increase in the overall transfers' expenditure is attributed to increases in the number of beneficiaries in September, specifically following the war on Gaza. Quarter four of 2014 relative to quarterfour of 2013, transfers declined by 21% amounting to NIS 516 million. The decline in the 4th quarter when compared to the corresponding period of 2013 is due to no cash transfer payment in the last quarter of 2014.

Table C5. Budget Execution Jan-Dec 2014, Transfers by Sector, NIS million.					
Sectors	Transfer Expenditure	2014 Sector Budget	% of Sector Budget		
Central Administration	121,273	131,915	92%		
Security and Public Order	75,397	130,000	58%		
Financial Affairs	1,057,867	1,039,100	102%		
Foreign Affairs	11,687	14,000	83%		
Economic Development	29,161	50,000	58%		
Social Services	1,581,581	1,796,915	88%		
Total	2,876,967	3,162,130	91%		

➤ Minor Capital

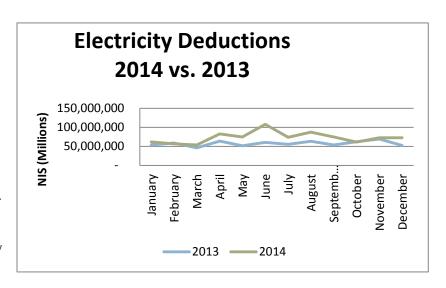
Minor Capital reached NIS 61 million, increasing by 107% when compared to NIS 29 million in 2013. On quarterly basis, the final quarter of 2014 witnessed a substantial 173% over the 4th quarter of 2013, and amounted to NIS 26.9 million.

> Interest

Interest payments of 2014 were NIS 199 million, broken down into NIS 183 million domestically and NIS 15 million externally. Interest payments represent a 39% decline below the 2013 figures which stood at NIS 325 million. Nevertheless Interest payments for 2014 remained at 9.8% below the budget target. The 4thquarter of the year 2014 interest payments amounted to NIS 14.6 million, and was below the levels of the corresponding period of 2013 by 81%.

➤ Net Lending

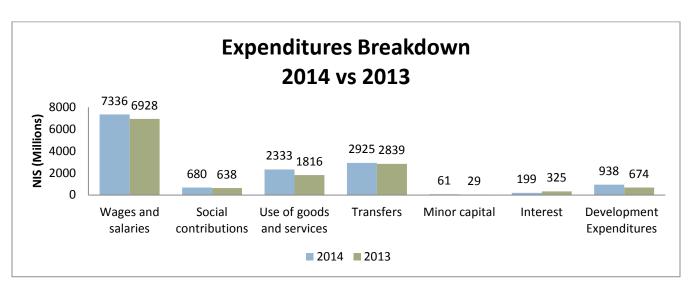
Net lending reached around NIS 1.02 billion exceeding the 2013 figures by 35%, also exceeding the budgeted mark by 70.4%. The 4th quarter of the year shows an increase of 12% over the 4th quarter of 2013. The increase in net lending is attributed to increased unilateral electricity deductions by Israel to the Israeli Electric Company (IEC).



Water, electricity, and sewage deductions increased by 10%, 27%, and 5% respectively. Electricity deductions averaged NIS 73 million monthly when compared to NIS 57 million monthly in 2013. Average monthly deductions excluding health referrals amounted to NIS 97 million, while in 2013 deductions averaged around NIS 80 million.

> Development Expenditures

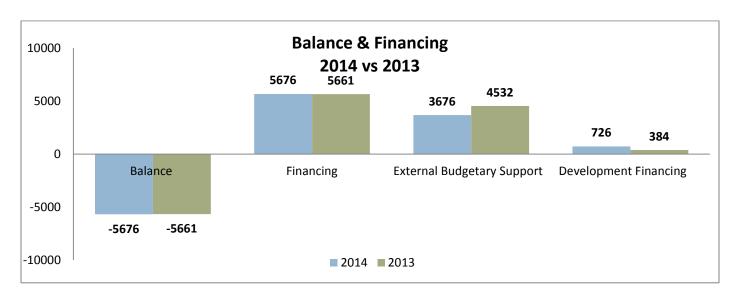
Development expenditure grew by 39% over 2013 figures, and stood at NIS 938 million; however, it remained below the budget target by NIS 323 million (25.6%). The increase in development expenditure is the result of increased development financing by a substantial 89% from the 2013 levels. The 4th quarter of 2014 also witnessed an increase in development expenditure by 100% above the 4th quarter of 2013, standing at NIS 320 million, also attributed to increased development financing in the final quarter of the year by 46%, compared to the corresponding period of 2013. The following chart represents expenditure by component in 2014 and 2013.



D. Balance and financing

▶ Balance

Balance: the 2014 recurrent deficit amounted to NIS 4.74 billion, declining by 5% when compared to 2013 figures which stood at NIS 4.99 billion. The recurrent deficit for the last quarter of 2014 was higher by 9% than that of the final quarter for 2013, and stood at NIS 1.1 billion. As for the **overall balance**, the 2014 deficit amounted to NIS 5.68 billion. In the 4th quarter of the year the deficit amounted to 1.45 billion, higher by 21% over the 4th quarter of 2013, in which the deficit was NIS 1.19 billion.



➤ Budget Support

External budgetary support was NIS 3.68 billion, below 2013 support figures by 19%, which stood at NIS 4.53 billion. The major reason for this differential is the decline in support from the USA by around \$248 million, where \$100 million were given this year, compared to \$348 last year. The 4th quarter of the year showed an increase in budgetary support by 25% in comparison to the 4th quarter of 2013.

> Development Financing

Development financing was 89% higher than 2013, amounting to NIS 726 million comparable to NIS 384 million in 2013. The final quarter of 2014 relative to the corresponding period of 2013 also witnessed an increase of 46% and stood at NIS 223 million. Nevertheless external budgetary support and development financing both fell short from their budget mark by 23% and 33% respectively. The substantial increase in the 4th quarter of the year compared to the 4th quarter of the previous year is due to a payment made by Qatar towards Gaza reconstruction of \$25 million in December.

E. Arrears

Total net accumulation of arrears was NIS 2.78 billion, of which, NIS 147 million are tax refund arrears and NIS 351 million are development arrears. As for the arrears to the private sector, which includes use of goods and services, minor capital, development, interest, and the "other" tax refunds, have accumulated to NIS 1.36 billion. The following chart describes the composition of arrears to different expenditure items. The largest components mounting up arrears are use of goods & services, social contributions, and the wage bill in that order.

Table E1: Net Accumulations of Arrears by component, 2014				
Budget Classification	NIS millions			
Wages & Salaries	569.8			
Social Contributions	679.5			
Use of Goods & Services	937.0			
Transfers	48.4			
Minor Capital	19.2			
Interest	27.3			
Development Expenditure	351.2			
Tax refunds	146.5			
Total	2779.0			

